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FDIC seeks curbs on brokered deposits

By Richard J. Gillespie

WASHINGTON — Concern over the financing practices of 614 problem banks has prompted the Federal Deposit Insurance Corp. to propose changes that will affect both pension funds and cash managers.

The FDIC, along with the Federal Home Loan Bank Board, asked the House Banking Committee Oct. 27 to consider 19 ways to modify insurance coverage on brokered bank deposits.

Among proposals advanced by the agencies:

- Limits on the insurance coverage of brokered deposits.
- A blanket or qualified declaration that the entire status of broker deposits is "unsound," either to all institutions or to only those with financial or managerial problems.
- The imposition of reporting requirements to help regulators monitor brokered funds.
- The establishment of a special organization to share the costs incurred where deposits were placed with an institution shortly before it went broke.
- A review of whether the national advertising of certificate of deposit rates is exacerbating the problem.
- The imposition of additional reserve requirements on broker deposits.
- The registration of money brokers with the Securities and Exchange Commission, and a requirement to report buyers and amounts regularly to the government.

The National Corporate Cash Management Assn. is meeting this week in St. Louis. For a special editorial section addressed to the more than 1,400 attendees, see page 35.

If the proposals are adopted, pension fund investors and money managers will have to investigate the creditworthiness of the banks in which they make deposits and buy certificates of deposit much more thoroughly, according to regulators.

Now, the FDIC and the Federal Savings and Loan Insurance Corp. provide insurance of up to $100,000 per depositor in each institution.

This has been interpreted as providing full coverage to pension funds and other institutions (but not money market funds) on jumbo CDs of more than $100,000. The proposals might change that forever.

The heat is being generated in Washington not by the activities of pension funds or cash managers, but because of the success of the recently deregulated money brokers.

Since June 1982, when the Depository Institutions Deregulation Committee removed interest rate ceilings on CDs and made them negotiable, money brokers have flourished. Among those are Merrill Lynch Money Markets in New York, CDx in Washington, Professional Asset Management in Los Angeles and First United in New York.

Certainly, the interest rates being offered by the brokers seem competitive.

The Washington money broker, CDx, for example, which repackages regional CDs for institutional buyers using a unique computerized network, has now developed a jumbo CD on which both principal and interest are fully insured.

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Pensions & Investment Age

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Mattel eyes termination

By Steve Hemmerick

HAWTHORNE, Calif. — Mattel Inc. is seeking to terminate a $25 million defined benefit plan for Mattel's salaried employees in Southern California.

An estimated $12 million in excess assets would revert to Mattel if the plan, affecting some 2,500 employees, is shown to have sufficient assets and its termination is approved by the Internal Revenue Service and the Public Benefit Guaranty Corp.

Mattel sustained a $166.7 million second-quarter loss in its electronics division, and last July it named four new managers to the division.

But James Sherman, corporate manager for employee relations, said termination of the plan is not a "profit and loss movement," add-

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Fund offers more diversification in U.S.

Pfizer foreign subs pool assets

By Pavan Sahgal

NEW YORK — Foreign subsidiaries of Pfizer Inc. have pooled some of their pension assets in a partnership and started a fund for investing in the United States.

The move makes it possible for small foreign plans, or those that are allowed only limited foreign investments by their countries, to have a higher degree of diversification in a U.S. portfolio than would be conceivable individually.

"As far as we know, we are the only U.S. corporation currently operating such an arrangement," said a company source.

The move is replete with potential for foreign pension funds of a company to act as currency clearinghouses and hedge each other's investments.

If similar funds are set up in nations where major financial markets are based, the pension plans could evolve a mechanism for reducing currency risks. They could offset short-term currency movements of a fund in one country with the investments in another.

Although the assets of the different plans might be segregated, to make such accounting possible they would have a global trustee.

Pfizer subsidiaries in the United Kingdom, Ireland, Canada and a Pacific-region country are the initial partners in the new fund. The four have $60 million in pension assets among them.

Pfizer sources did not reveal how much will be invested in the United States.

Forstmann-Leff Associates has been designated investment manager and The Northern Trust Co. has been named custodian for the fund.

NSR Asset Management Corp., New York, and a Canadian manager, Beutel, Goodman & Co. Ltd., were among those considered to run the fund in the United States.

Pfizer was looking for an aggressive manager. It reasoned the relatively young foreign plans could take a measure of risk.

"We are going to tailor this fund to specific needs and watch the manager like a hawk," said Seth Rosenberg, Pfizer's finance manager-international benefits program.

The parent company has "absolutely nothing to do" with the fund as an investor, he added.

The concept of pooled investments was proposed and coordinated by Mr. Rosenberg, who worked with Kevin Keating, director-employee benefits financing, and others in Pfizer's legal, tax and treasury divisions. The Northern Trust Co. also aided the effort.

The Pfizer Foreign Investment Fund has been registered as a Dela-

Continued on page 85

Wilshire to manage $1 billion

By Kimberly Blanton

ST. PAUL, Minn. — The Minnesota State Board of Investment has turned over $1 billion to Wilshire Associates to manage in an index fund that tracks Wilshire's 5,000 stock index.

The Minnesota board is Wilshire's first discretionary investment account.

Wilshire's noisy entrance into the index-fund market has surprised many in the investment community, which was largely unaware the consulting firm had plans for investment management.

Wilshire, however, has been registered with the Securities and Exchange Commission as an investment adviser since 1972, according to Dennis Tito, president of the Santa Monica, Calif., firm. To do discretionary management, Wilshire amended the original SEC filing. Some bank officials who buy Wilshire's stock data and computer software for their own index-fund products were unhappy at the prospect of competing with their consultant for index-fund clients.

The placement of $1 billion in the index fund is a third step in the Minnesota board's move to outside firms from in-house management, confirmed Jeff Bailey, assistant director of the $7 billion system.

In January, it hired 15 equity managers. State Street Bank & Trust Co., Boston, was hired as its master custodian last month.

The fund chose the broad-based Wilshire 5,000 index fund to capture the entire equity market, something the Standard & Poor's 500 index fund cannot do. The S&P 500 is more heavily weighted in industrial companies and excludes many emerging companies.

"We felt the Wilshire 5,000 better represented the entire equity market, which was the purpose of establishing an index fund," Mr. Bailey said. Unlike broad-based index funds other banks have developed, the Wilshire Market Index Fund has the added feature of a well-established benchmark.

Mr. Tito sees the broad index fund as the new wave in index-fund management, and public funds as the next place it will hit.

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Minneapolis: $1 billion placement

Late news

Oil, gas partnership

HOUSTON — The pension funds of General Motors Corp., American Telephone & Telegraph Co. and Pennwalt Corp. reportedly committed a total of $20 million to a $40.4 million oil and gas limited partnership.

They invested in Torch Energy Corp., Houston, to acquire proved producing reserves. The Boston Co. Energy Advisors is money manager and agent for the pension funds and arranged the deal with Torch.

Arthur Dubow, president of The Boston Co. Energy Advisors, would not name the three pension fund participants. Their identities were confirmed by two other sources familiar with the deal.

Continued on page 2

Section starts

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Northern Trust doesn't escape fire

Condec-Farley fight heats up

By Joel Chernoff

CHICAGO — William F. Farley's use of his company pension fund in his effort to seize control of Condec Corp. has placed a lot of heat on Northern Trust Co., trustee for the fund.

Mr. Farley, chairman of Farley Industries Inc. and its subsidiary, Farley Metals Inc., has been fighting to gain control of Connecticut-based Condec, a maker of machinery and other industrial products.

Along with a committee formed to effect a leveraged buy-out of Condec, Mr. Farley has 9.9% of the target company's shares at his disposal and is trying to win a proxy battle to gain five seats on Condec's 11-member board of directors. Condec's annual meeting is Nov. 16.

In the course of the battle, the Farley Metals Employee Benefit Master Trust bought up 3.8% of Condec shares, apparently its first-ever equity holdings.

The 162,500 shares, purchased at slightly more than $3 million, involve 7% to 9% of plan assets, according to court papers.

About 90% of the fund's holdings are guaranteed investment contracts from Metropolitan Life Insurance Co., short-term cash and bonds.

However, the fund's activities alarmed Northern Trust, eventually leading to Northern's resignation as trustee in August. (The resignation is not effective until year-end.)

Condec sued Mr. Farley, his company, Northern and others in September.

The purchase of the shares and Northern's resignation have proved to be key factors in the litigation, and also have caught the attention of the Department of Labor, which is investigating the matter.

However, it remains unclear exactly why Northern resigned as trustee. Northern won't say, and Condec and Farley have differing views.

Whatever the reason, Northern clearly wanted to be shielded from any liability. A Nov. 3 indemnification agreement now backs up the bank for potential liability.

The document also shows that Harbor Capital Management Co., Boston, has been appointed as an independent investment manager to handle the shares and possibly other assets. (The hiring was effective Nov. 1, according to a Farley official.)

However, the agreement adds that the pension plan document will be amended to give Farley's investment committee power to direct voting of the pension fund's

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Institutions pivotal to proxy fight outcome

By Pavan Sahgal

NEW YORK — Battle lines are being drawn in the T. Boone Pickens-Gulf Oil Corp. proxy fight scheduled to be voted Dec. 2, and institutional investors who hold more than a third of the Gulf stock outstanding are aware they might play a pivotal role.

Gulf's board of directors proposes to restructure Gulf Oil Corp. as a holding company.

Mr. Pickens, chairman of Mesa Petroleum, is attempting to acquire Gulf, spin off its parts at a profit and set up a so-called royalty trust to shelter income *(Pensions and Investment Age*, Oct. 31).

"As a Pittsburgh institution, we are more strongly opposed to it than some of the others," said Nicholas Nilsen, vice president and chief investment officer at Pittsburgh National Bank, which holds about 1.9 million shares. "We don't want to see the Gulf Oil Co., which is headquartered here, dismembered.

"This institution will stand in support of the management in the first proxy vote."

Other institutional holders around the country were noncommittal.

"At this stage, we are not ready to make any comment," said Thomas B. Dalby, vice president and senior trust investment officer at the First National Bank & Trust Co. of Tulsa, Okla. "We just received the Pickens information and we're studying the situation."

Meanwhile, Donaldson, Lufkin & Jenrette Securities Corp., the Wall Street investment bank, made an unusual move of recommending

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PBGC has eye on Rath

By Joel Chernoff

WASHINGTON — The Pension Benefit Guaranty Corp. has at least $7 million at stake in Rath Packing Co.'s Nov. 1 filing for protection under Chapter 11 of the bankruptcy code.

The PBGC has an even stronger interest in Rath's survival: a pretax share in the Iowa meatpacker's future if the company regains its financial health.

But the agency would get only company assets if the meatpacker fails. The PBGC is a secured creditor on about $8 million of assets, according to Executive Director Edwin M. Jones. However, the agency is second or third in line for much of those assets.

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Late news

Continued from page 1

According to those sources, Pennwalt contributed $2 million, its first investment in oil and gas.

AT&T and GM committed $8 million to $10 million each. Both have made several other oil and gas investments in the past.

The Torch Limited Partnership's other limited partner is Torchmark Corp.'s insurance company, which committed $20 million.

The other $400,000 was contributed by Torch. It is standard in most limited partnerships for the general partner to put in 1% of its money.

Raymond Int'l plan

HOUSTON — Stockholders of Raymond International Inc. approved a plan to take the engineering and construction company under private ownership by establishing an employee stock ownership plan.

Part of the financing for the leveraged ESOP will come from about $20 million in surplus assets from Raymond's pension plan. Raymond officials have said they would terminate the plan if the ESOP proposal won approval (*Pensions & Investment Age*, Oct. 3).

Richard Foss resigns

CHICAGO — Richard Foss has announced his resignation as senior vice president and head of investment services at Continental Illinois National Bank & Trust Co. of Chicago, a bank spokesman confirmed. Mr. Foss, who joined Continental in 1980, will "pursue other business interests," the spokesman said.

NYNEX appoints bank

NEW YORK — NYNEX, the Northeastern phone company, chose Mellon Bank as master trustee of the pension plan assets it will receive from American Telephone & Telegraph Co. upon divestiture Jan. 1, sources confirmed.

In a related move, AT&T chose State Street Bank & Trust Co., Boston, as record-keeper for its pension fund real estate assets, according to Wall Street sources. AT&T would neither confirm nor deny the appointment.

System to be unveiled

SAN FRANCISCO — Bank of America will unveil a state-of-the-art addition to its treasury management system at the National Corporate Cash Management Conference in St. Louis Nov. 13-15.

Called MicroPlexus, it is a microcomputer program that integrates a corporation's internally generated financial and accounting data with externally produced financial information.

Two leave Colonial

BOSTON — Ronald M. Egalka and George M. DeVoe Jr. are leaving Colonial Management Associates Inc. to form their own firm, Rampart Investment Management Co., they announced.

Rampart will provide equity and options management for corporate cash, pension fund and endowment accounts.

Public fund appoints 4

HARRISBURG, Pa. — The $95 million Pennsylvania Municipal Retirement System has hired four new managers — two for equities and two for real estate.

Pittsburgh National Bank was given $5 million for its quantitative risk control equity program and will run some short-term money, and Merrill Lynch Asset Management was given $2 million for equities, according to a fund spokesman.

The fund also placed $5 million each in commingled real estate funds with CIGNA Corp. and Prudential Insurance Co.

Rule 415 permanent

WASHINGTON — The Securities and Exchange Commission permanently adopted Rule 415 on shelf registrations for both debt and equity issues effective Jan. 1 but limited its use to companies able to file S-3 or F-3 forms. The SEC also banned use of so-called "convenience" shelf filings.

Pennsylvania hires 3

HARRISBURG, Pa. — The $3.5 billion Pennsylvania State Employees Retirement System hired three option-overwrite managers, said Edwin Warwick, chief investment officer. Travelers Investment Management Co.; Analytic Investment Management Inc., Irvine, Calif.; and Balch, Hardy & Scheinman Inc., New York, will write options on an index fund managed by Wells Fargo Investment Advisors, San Francisco. The index fund is reportedly more than $400 million.

Roybal assails DOL

Plan-termination policy battle rages

By Joel Chernoff

WASHINGTON — Rep. Edward R. Roybal, D-Calif., has blasted the Department of Labor for its view that the termination of a pension plan is not a fiduciary decision.

A Nov. 3 letter sent by Rep. Roybal to Labor Secretary Raymond J. Donovan is the latest salvo in the running battle between the House Select Committee on Aging, which he chairs, and the department.

So far companies have terminated, or filed for termination, plans with assets approaching $1.7 billion.

Rep. Claude Pepper, D-Fla., who preceded Rep. Roybal as committee chairman, fired the first shots in opposition to Labor Department termination policy through hearings, letters and articles. In a signed article in *Pensions & Investment Age* last February, Rep. Pepper condemned "plan asset raids" made by employers.

In his letter, Rep. Roybal also criticized the Labor Department for failing to coordinate policy on plan terminations with the Internal Revenue Service and the Pension Benefit Guaranty Corp.

Urging the department to reconsider its policy, Rep. Roybal added, "The abbreviated, mechanistic approval procedures used by the IRS and PBGC are wholly inadequate to insure that plan terminations conform with ERISA's fiduciary requirements."

In addition, the California congressman took the department to task for its handling of the Harper & Row Publishers Inc. case.

In particular, he questioned whether Irving Trust Co. met its responsibilities as trustee for the Harper & Row profit-sharing plan, and why the Labor Department had not checked the soundness of investment advice that Kidder Peabody & Co. Inc. rendered to the

Continued on page 88

p.i.p.e.r.

Third quarter top performers for equity and fixed income

The bloom is off the market; top equity fund returns slip

By Rose Darby

NEW YORK — The record returns that top bank and insurance company equity funds had been enjoying for much of this year were no longer the rule for the quarter ending Sept. 30, according to the most recent Pensions & Investments' Performance Evaluation Report.

Results of the 256 equity funds tracked for the quarter show the top five funds produced returns from 4.8% to 6.4%. These compare with the top five returns from the previous quarter of between 19.6% and 29.4%.

The median equity fund suffered a setback in the quarter, coming in at -1.6%, down from 39.5% in the second quarter.

Fourth National Bank of Tulsa, using a maverick approach to equity investment, found itself the leader for the quarter with a 6.4% return. Others who emerged to lead the herd were Bank of the West in California with a 6.3% return, Provident National Bank with 5.5%, First of Warsaw of Indiana with 5.3%, and Minnesota Mutual Life Insurance Co. with 4.8%. All outperformed the Standard & Poor's 500, which stood at -0.1% for the same period.

According to Fourth National's senior trust investment officer, Fredric E. Russell, one of the reasons for the $16 million commingled equity fund's success amid such lackluster market conditions was a heavy weighting in transportation stocks, with particular emphasis on railroad issues.

Two issues in particular, **Kansas City Southern Industries** and **Florida East Coast Railway**, were favorites, he said. Other strong performers last quarter were **R.J. Reynolds Industries, Rio Grande Industries** and **Bank of Oklahoma**. Bank of Oklahoma is a rival Tulsa bank, whose stock was bought because it would benefit greatly from liberalized state banking laws, Mr. Russell said.

"We've been accumulating cash for the last three months," said Mr. Russell, and cash stands now at 25%

Continued on page 80

Mortgage-backed securities boost fixed-income returns

By Kimberly Blanton

CHICAGO — Mortgage-backed securities bolstered third-quarter returns at some banks ranked in the Pensions & Investments' Performance Evaluation Report.

Officials at The National Bank of Detroit and Harris Trust and Savings Bank, Chicago, held that mortgage-backed securities in their portfolios in part accounted for their high rankings among the 20 banks and insurance companies with the largest pooled bond funds — those with more than $100 million.

P.I.P.E.R. ranks the performance of pooled funds at at 228 large and small banks and insurance companies. This included 21 banks and insurance companies with more than $100 million in their pooled bond funds.

The National Bank of Detroit ranked third with a 1.5% return to its fixed-income portfolio in the third quarter, and Harris Trust ranked fifth with 1.2%.

Comerica Bank-Detroit's intermediate-bond fund had the highest third-quarter return among the large firms, 2%, followed by Irving Trust, New York, 1.8%; National Bank of Detroit; The Prudential Insurance Co. of America, 1.3%; and Harris Trust.

Three managers earned a 1.1% return: The First National Bank of Chicago, John Hancock Mutual Life Insurance Co., Boston, and Morgan Guaranty Trust Co. of New York.

Next were CIGNA Corp., 1%; and National City Bank, Cleveland, and United States Trust Co. of New York, both with 0.9%. The Lehman Bros. Kuhn Loeb Government/Corporate bond index was 1.5% in the third quarter.

Several of these banks also did well for the year ending Sept. 30. For the 12 months, Life Insurance Co. of Virginia, in Richmond, ranked first with a 19.2% return, followed by CIGNA, 17.7%; Morgan Guaranty, 17.5%; Prudential, 17%; John Hancock, 16.7%; Texas Commerce Bank, Houston, 16.5%; First National Bank of Chicago, 16.4%; Irving Trust, 15.9%; and American

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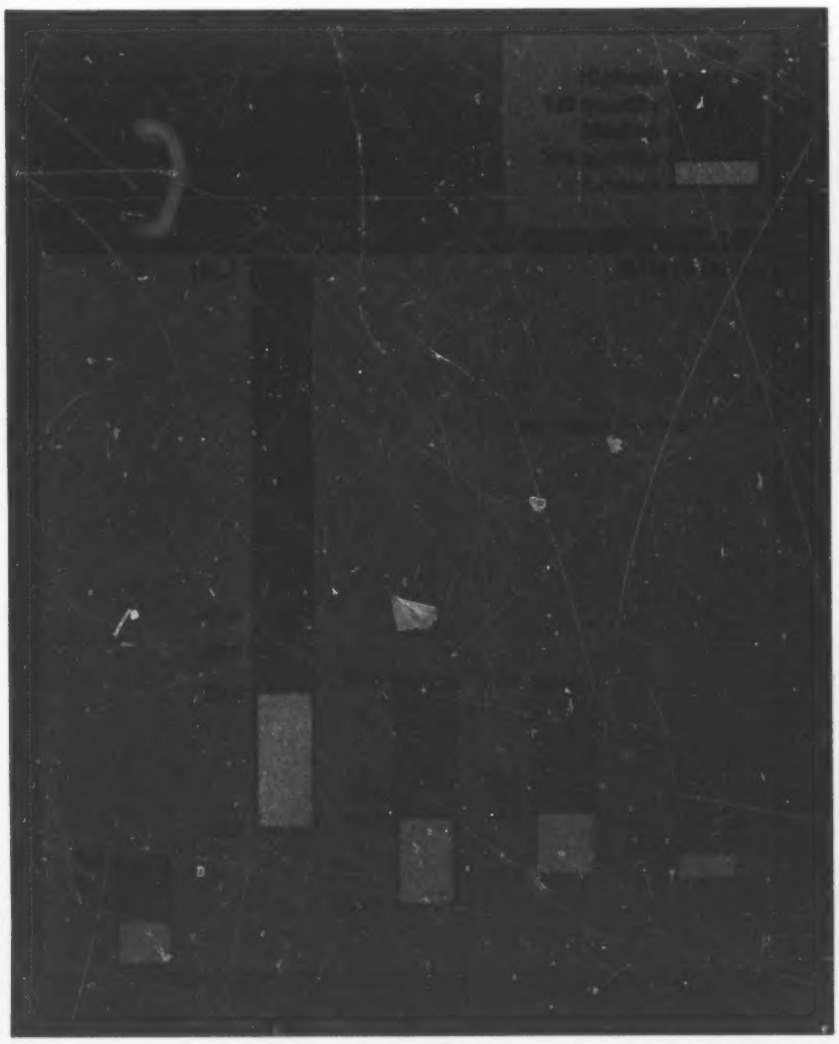
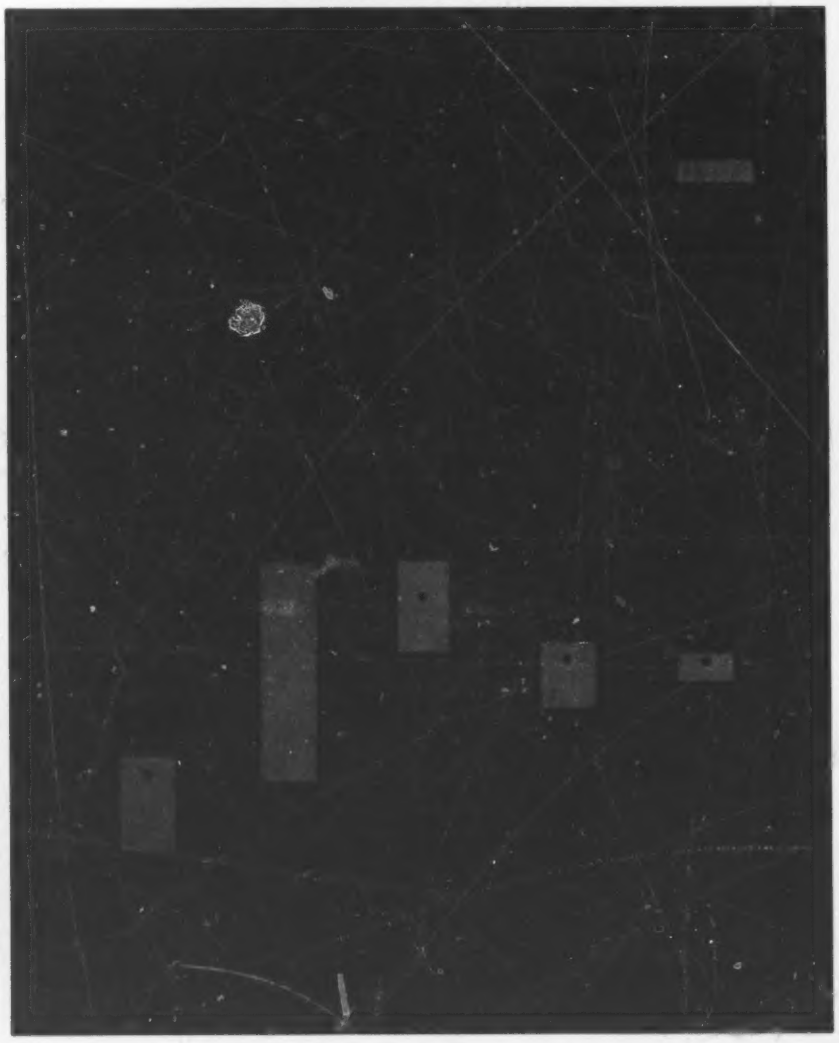




Top equity funds by size

One-year returns
Over $100 million

	%
Provident National, Pa.	58.8
Fidelity Mgmt. Trust, Mass.	58.6
Mutual Benefit, N.J.	58.0
Bankers Life, Iowa	56.6
Aetna Life & Casualty, Conn.	52.8
US Natl. of Oregon	52.2
Equitable Life (No. 4)	49.7
Morgan Guar., N.Y. (Med.)	49.0
CIGNA Corp.	48.3
Philadelphia Natl., Pa.	47.9

$50 million to $100 million

	%
Security Pacific, Calif.	63.9
Marine Midland, N.Y.	54.1
First of Chicago	53.9
Republic Natl., Dallas	53.4
Pacific Mutual, Calif.	51.5
Northern Trust, Ill.	50.0
American Natl. Chic. (Active)	49.6
Texas Commerce	47.5
First City Natl., Houston	47.1
Bessemer Trust, N.Y.	46.5

$10 million to $50 million

	%
United of Denver, Colo.	68.7
Citizens Trust Co., Wis.	68.1
First Bank Milwaukee	63.4
California First Bank	62.7
Seattle Trust, Wash.	61.9
First Union Bank, N.C.	61.0
First Wis. Natl. Madison	59.1
Penn Mutual Life, Pa.	58.3
Philadelphia Life, Pa.	55.6
Equitable Bank, Md.	55.5

Under $10 million

	%
Manufacturers Life, Ont.	102.7
Merchants Natl., Ala.	72.4
Connecticut Mutual Life	64.9
Huntington Banks, Ohio	62.7
Pioneer Bank, Ill.	53.8
Bank of New England	52.0
Irving Trust, N.Y.	50.1
Bank of Southwest, Texas	50.1
Mercantile Natl., Ind.	48.5
Oregon Bank	47.6

10-year returns
Over $100 million

	%
Bankers Life, Iowa	14.9
US Natl. of Oregon	14.1
Aetna Life & Cas., Conn.	13.1
Massachusetts Mutual	11.9
Equitable Life (No. 4)	11.9
Provident Natl., Pa.	11.9
Mercantile at Dallas, Texas	11.8
Life of Virginia	11.1
CIGNA Corp., Conn.	11.0
Interfirst Invt. Mgmt., Texas	10.2

$50 million to $100 million

	%
Bessemer Trust, N.Y.	16.9
Hibernia Natl., La.	12.6
First Penn. Bank	11.3
First of America, Mich.	10.3
First City Natl., Houston	10.2
Sentry Life, Wis.	10.1
Manufacturers Detroit	9.7
Pacific Mutual, Calif.	9.4
Texas Commerce	9.2
Ameritrust, Ohio	9.0

$10 million to $50 million

	%
Philadelphia Life, Pa.	18.3
Guardian Insurance, N.Y.	18.2
Citizens Chillicothe, Mo.	17.8
First Wis. Natl., Madison	17.4
Employers Life of Wausau	16.0
First Trust Corp., Colo.	14.9
Home Life, N.Y.	13.2
Landmark Union Trust, Fla.	12.6
United of Denver, Colo.	12.3
Minnesota Mutual	12.3

Under $10 million

	%
Manufacturers Life, Ont.	23.5
Confederation Life, Ont.	14.7
Capital Bank, Houston	14.6
Wheeling Dollar Bank,	12.8
First of Kenosha, Wis.	12.2
Pittsburgh Natl. (QMS)	11.4
Olympic Bank, Wash.	11.1
First Natl. of Commerce, La.	11.1
First Tennessee, Chat.	10.9
BancTexas, Dallas	10.5

Top quartile commingled equity funds

Three-month returns

	%
Fourth Natl., Tulsa	6.4
Bank of the West, Calif.	6.3
Provident Natl., Pa.	5.5
First of Warsaw, Ind.	5.3
Minnesota Mutual	4.8
United Virginia Bank	4.1
First Interstate of Oregon	4.0
Mercantile Safe, Md.	3.8
Bank of New England	3.8
Landmark First Natl., Fla.	3.8
Mid-State Bancorp, Pa.	3.5
Boatmens Bank, K.C., Mo.	3.3
Massachusetts Mutual	3.1
Ohio Citizens Trust	3.1
Mercantile Trust, Mo.	3.0
Fidelity Mgmt. Trust, Mass.	2.9
Republic Natl., Dallas	2.9
Natl. Westminster, N.Y.	2.8
First Variable Life, Ark.	2.5
Dauphin Deposit, Pa.	2.5
First of Elgin, Ill.	2.4
Chicago Title & Trust	2.4
Citytrust, Conn.	2.3
United of Denver	2.3
Irving Trust, N.Y.	2.3
First Interstate of Nevada	2.2
Fidelity Natl., La.	2.1
Southeast Bank, Fla.	2.0
First Union Bank, N.C.	1.9
Landmark Union Trust, Fla.	1.9
First Merch., Richmond	1.9
AmeriTrust, Ohio	1.9
Greeley Natl., Colo.	1.8
First Interstate of Wash.	1.6
First Pennsylvania Bank	1.6
First of Bartlesville, Okla.	1.6
Florida National Bank	1.5
Unibanctrust, Ill.	1.5
Phoenix Mutual, Conn.	1.5
Old National, Wash.	1.5
Natl. of Commerce, Tenn.	1.4
Connecticut Mutual Life	1.4
First of Mobile, Ala.	1.3
Oregon Bank	1.2
Mercantile Natl., Ind.	1.2
Sun Bank, Fla.	1.2
Valley Natl., Ariz.	1.2
American Natl., Chic. (Active)	1.2
Beverly Bank, Ill.	1.2
Midlantic National, N.J.	1.1
First City, Austin, Texas	1.0
First of Atlanta, Ga.	1.0
US Trust, N.Y.	0.9
First Tennessee, Chat.	0.9
Jefferson Trust, Ill.	0.8
Metropolitan Life, N.Y.	0.7
Cullen Bank, Texas	0.7
Natl. City, Cleveland	0.7
First Tennessee, Memphis	0.7
First of Chicago	0.6
John Hancock, Mass.	0.5
BancTexas, Dallas	0.5
Bessemer Trust, N.Y.	0.5
LaSalle National, Ill.	0.4
Ouachita Natl., La.	0.4
Bankers Trust, N.Y. (Index)	0.4
Standard & Poor's 500	**–0.1**

One-year returns

	%
Manufacturers Life, Ont.	102.7
First Variable Life, Ark.	89.3
Merchants National, Ala.	72.4
United of Denver	68.7
Citizens Trust Co. Wis.	68.1
Connecticut Mutual Life	64.9
Security Pacific, Calif.	63.9
First Bank Milwaukee	63.4
California First Bank	62.7
Huntington Banks, Ohio	62.7
Seattle Trust, Wash.	61.9
First Union Bank, N.C.	61.0
First Wis. Natl., Madison	59.1
Provident Natl., Pa.	58.8
Fidelity Mgmt. Trust, Mass.	58.6
Penn Mutual Life, Pa.	58.3
Mutual Benefit, N.J.	58.0
Sun Bank, Fla.	57.5
Bankers Life, Iowa	56.6
Philadelphia Life, Pa.	55.6
Equitable Bank, Md.	55.5
American Security, D.C.	55.4
Minnesota Mutual	54.3
Marine Midland, N.Y.	54.1
First of Chicago	53.9
Pioneer Bank, Ill.	53.8
Republic Natl., Dallas	53.4
Aetna Life & Casualty, Conn.	52.8
Intrawest, Colo.	52.7
Merchants Natl., Ind.	52.6
US Natl. of Oregon	52.2
Bank of New England	52.0
Employers Life of Wausau	51.9
Chase Manhattan, N.Y.	51.8
Pacific Mutual, Calif.	51.5
Guardian Insurance, N.Y.	51.3
First Wisconsin Trust	50.7
State Street Bank, Mass.	50.2
Irving Trust, N.Y.	50.1
Bank of Southwest, Tenn.	50.1
Northern Trust, Ill.	50.0
Fourth Natl., Tulsa	49.9
Equitable Life (No. 4)	49.7
American Natl., Chic. (Active)	49.6
Morgan Guaranty, N.Y. (Med.)	49.0
Fidelity Union, N.J.	48.6
Mercantile Natl., Ind.	48.5
CIGNA Corp., Conn.	48.3
Mercantile Safe, Md.	48.0
Philadelphia Natl., Pa.	47.9
Interfirst Invt. Mgmt. Texas	47.7
Oregon Bank	47.6
Texas Commerce	47.5
First of Warsaw, Ind.	47.2
First City Natl., Houston	47.1
Mercantile Trust, Md.	47.0
Lake Shore Natl., Ill.	46.6
HT Investors Inc., R.I.	46.6
Bank of Delaware	46.6
Bessemer Trust, N.Y.	46.5
Marine Trust, Wis.	46.4
First Interstate of Oregon	46.4
Security Trust, Rochester	45.9
John Hancock, (Alpha Plus)	45.8
Standard & Poor's 500	**44.5**

Three-year returns

	%
Manufacturers Life, Ont.	35.3
First Variable Life, Ark.	31.7
United of Denver	29.6
Sentry Life, Wis.	27.9
Sun Bank, Fla.	27.9
First Union Bank, N.C.	27.4
Citizens Trust Co. Wis.	26.9
Connecticut Mutual Life	25.8
Employers Life of Wausau, Wis.	25.5
Huntington Banks, Ohio	25.4
First Bank of Milwaukee	25.0
US Natl. of Oregon	24.4
Mutual Benefit, N.J.	23.6
Provident National, Pa.	23.5
American Natl., Chic. (Active)	23.3
California First Bank	23.1
Lake Shore Natl., Ill.	22.8
Seattle Trust, Wash.	22.8
Minnesota Mutual	22.4
Manufacturers Detroit	22.3
First Wis. National	21.8
Intrawest, Colo.	21.7
Guardian Insurance, N.Y.	21.3
Pioneer Bank, Ill.	21.3
Massachusetts Mutual	21.2
Commonwealth Natl., Pa.	21.2
Wheeling Dollar Bank, W.Va.	21.2
Ohio Citizens Trust	21.2
Dauphin Deposit, Pa.	21.0
Philadelphia Life, Pa.	21.0
Planters National, N.C.	20.9
Merchants Natl., Ala.	20.9
Chase Manhattan, N.Y.	20.8
First Tennessee, Chat.	20.7
Texas Commerce	20.6
State Street Bank, Mass.	20.6
Aetna Life & Casualty, Conn.	20.5
First City Natl., Houston	20.4
Mercantile at Dallas	20.1
American Security, D.C.	20.0
Merchants Natl., Ind.	20.0
Heritage Trust, Wis.	19.9
Confederation Life, Ont.	19.9
First Wisconsin Trust	19.9
IAA Trust Co., Ill.	19.7
Home Life, N.Y.	19.6
Midlantic National, N.J.	19.6
Philadelphia Natl., Pa.	19.6
Marine Trust, Wis.	19.5
Fifth Third Bank, Ohio	19.5
Fourth Natl., Tulsa	19.5
Security Trust, Rochester	19.5
Society National, Ohio	19.4
Bank of Delaware	19.4
First Interstate of Nevada	19.3
Landmark Union Trust, Fla.	19.2
Boatmen's National, Mo.	19.2
HT Investors Inc. R.I.	19.2
Bessemer Trust, N.Y.	19.1
Penn Mutual Life, Pa.	19.1
Colorado National Bank	19.1
Standard & Poor's 500	**15.6**

Five-year returns

	%
Manufacturers Life, Ont.	35.0
Employers Life of Wausau	27.1
Intrawest, Colo.	27.1
Bessemer Trust, N.Y.	26.7
United of Denver	24.4
First Union Bank, N.C.	24.0
US Natl. of Oregon	23.9
Philadelphia Life, Pa.	23.9
Home Life, N.Y.	23.8
First Interstate of Nevada	23.2
Citizens Chillicothe, Mo.	22.6
Equitable Life (No. 4)	22.6
Mercantile at Dallas	22.6
Philadelphia Natl., Pa.	21.9
Huntington Banks, Ohio	21.6
Provident National, Pa.	21.4
Unibanctrust, Ill.	21.3
Texas Commerce	20.8
Wheeling Dollar Bank, W. Va.	20.7
Marine Trust, Wis.	20.7
Sun Bank, Fla.	20.7
First Natl. of Commerce, La.	20.2
First Variable Life, Ark.	20.2
Capital Bank, Houston	20.2
First Trust Corp., Colo.	20.1
Aetna Life & Casualty, Conn.	20.1
Confederation Life, Ont.	19.9
First Bank Milwaukee	19.9
Guardian Insurance, N.Y.	19.9
Omaha National Bank	19.9
First Wisconsin National	19.8
Natl. of Com. San. Antonio	19.8
CIGNA Corp., Conn.	19.8
Chase Manhattan, N.Y.	19.5
California First Bank	19.5
State Mutual Life, Mass.	19.5
American Security, D.C.	19.4
First City Natl., Houston	19.4
Equitable Bank, Md.	19.3
IAA Trust Co., Ill.	19.2
Massachusetts Mutual	19.2
Girard Bank, Pa.	19.2
Natl. of Commerce, Neb.	19.2
Fourth Natl., Tulsa	19.2
Northern Trust, Ill.	19.2
Connecticut Mutual Life	19.2
Planters National, N.C.	19.1
Rainier National, Wash.	19.0
Penn Mutual Life, Pa.	19.0
Minnesota Mutual	19.0
Bank One Trust, Ohio	19.0
Commonwealth Natl., Pa.	18.9
State Street Bank, Mass.	18.7
American Natl., Chic. (Active)	18.7
Natl. City, Cleveland	18.6
Mutual Benefit, N.J.	18.6
Genesee Merchants, Mich.	18.6
Fifth Third Bank, Ohio	18.5
Southeast Bank, Fla.	18.5
United Virginia Bank	18.5
Sentry Life, Wis.	18.5
Fidelity Union, N.J.	18.5
Standard & Poor's 500	**16.2**

Ten-year returns

	%
Manufacturers Life, Ont.	23.5
Philadelphia Life, Pa.	18.3
Guardian Insurance, N.Y.	18.2
Citizens Chillicothe, Mo.	17.8
First Wis. Natl., Madison	17.4
First Variable Life, Ark.	17.3
Bessemer Trust, N.Y.	16.9
Employers Life of Wausau	16.0
First Trust Corp., Colo.	14.9
Bankers Life, Iowa	14.9
Confederation Life, Ont.	14.7
Capital Bank, Houston	14.6
US Natl. of Oregon	14.1
Home Life, N.Y.	13.2
Aetna Life & Casualty, Conn.	13.1
Wheeling Dollar Bank, W. Va.	12.8
Landmark Union Trust, Fla.	12.6
Hibernia National, La.	12.6
United of Denver	12.3
Minnesota Mutual	12.3
Liberty National, Okla.	12.3
Penn Mutual Life, Pa.	12.3
First of Kenosha	12.2
First Interstate of Wash.	11.9
Massachusetts Mutual	11.9
Equitable Life (No. 4)	11.9
Provident National, Pa.	11.9
Mercantile at Dallas	11.8
Fifth Third Bank, Ohio	11.8
Intrawest, Colo.	11.7
Pittsburgh Natl. (QMS)	11.4
First Pennsylvania Bank	11.3
Life of Virginia	11.1
Olympic Bank, Wash.	11.1
First Natl. of Com., La.	11.1
CIGNA Corp., Conn.	11.0
Crown Life, Ont.	11.0
First Tennessee, Chat.	10.9
First Jersey Natl., N.J.	10.7
Chicago Title & Trust	10.7
Moline National, Ill.	10.6
BancTexas, Dallas	10.5
Seattle Trust, Wash.	10.5
First of America, Mich.	10.3
Old Second Natl., Aurora	10.3
Bank of Delaware	10.3
Provident Mutual, Pa.	10.3
Interfirst Invt. Mgmt., Texas	10.2
Natl. City of Cleveland	10.2
First Union Bank, N.C.	10.2
Phoenix Mutual, Conn.	10.2
Colorado National Bank	10.2
Texas American Bank	10.2
First City Natl., Houston	10.2
Citytrust, Conn.	10.2
Standard & Poor's 500	**9.8**

Top fixed funds by size

One-year returns
Over $100 million

	%
Life of Virginia	19.2
CIGNA Corp., Conn.	17.7
Morgan Guaranty (Med.)	17.5
Prudential, N.J.	17.0
John Hancock	16.7
Texas Commerce	16.5
First of Chicago	16.4
Irving Trust, N.Y.	15.9
American Security, D.C.	15.3
Centerre Trust, Mo.	15.2

$50 million to $100 million

	%
Marine Midland, N.Y.	17.5
Girard Bank, Pa.	15.3
Norwest Bank, Minn.	15.3
Bankers Trust A, N.Y.	15.2
North Carolina Natl.	15.1
Hibernia National, La.	14.7
Northern Trust, Ill.	13.9
First Union Bank, N.C.	13.1
Fidelity Bank, Pa.	12.7
Comerica Bank, Mich.	12.5

$10 million to $50 million

	%
Trust Svcs. of Amer., Calif.	21.5
First Wis. Natl., Madison	20.5
Lloyds Bank, Calif.	20.4
Riggs of Washington	19.1
United of Denver	18.9
State Street Bank, Mass.	18.6
Mutual of N.Y.	18.3
Liberty Natl., Okla.	18.2
Manufacturers & Trader	18.0
Hamilton Bank, Pa.	17.8

Under $10 million

	%
First Variable Life, Ark.	26.9
American Natl., Austin	22.2
Key Trust Co., N.Y.	22.0
Central Fid., Lynchburg	21.8
Security Peoples Trust, Pa.	20.3
Society Natl., Ohio	20.2
Beverly Bank, Ill.	19.7
First of Neenah (Mtg.)	19.4
Ohio Citizens Trust	19.1
First City Austin	18.3

10-year returns
Over $100 million

	%
Manufacturers Hanover, N.Y.	9.5
Centerre Trust, Mo.	9.4
Texas Commerce	9.4
US Trust, N.Y.	9.4
CIGNA Corp., Conn.	9.2
Irving Trust, N.Y.	8.1
Wachovia Bank, N.C.	8.0
John Hancock	7.9
Natl. Bank of Detroit	7.8
First of Chicago	7.5

$50 million to $100 million

	%
Hibernia Natl., La.	10.5
Fidelity Bank, Pa.	9.5
North Carolina Natl.	8.5
Bankers Trust A, N.Y.	8.2
Comerica Bank, Mich.	8.0
Girard Bank, Pa.	7.8
First Union Bank, N.C.	7.7
First Penn. Bank	7.7
Northern Trust, Ill.	7.6
First of Minneapolis	7.6

$10 million to $50 million

	%
Jefferson Trust, Ill.	9.9
Fourth Natl., Wichita, Kans.	9.9
First Merch., Richmond, Va.	9.8
Seattle 1st Natl., Wash.	9.6
Mercantile Trust, Mo.	9.6
Cullen Bank, Texas	9.4
Bankers Trust B, N.Y.	9.1
First Jersey Natl., N.J.	8.9
First Interstate of Calif.	8.8
First Wis. Natl., Madison	8.7

Under $10 million

	%
Bank One Trust, Ohio	11.2
Pacific Mutual, Calif.	10.1
Com. Union, Tenn.	10.0
California First Bank	9.5
Allied Bank, Texas	9.2
First of Neenah, Wis.	9.0
Puget Sound Natl.	8.8
First of Bartlesville	8.8
Oregon Bank	8.7
Ohio Citizens Trust	8.4

Top quartile commingled fixed-income funds

Three-month returns

	%
Security Natl. Bank, W. Va.	3.6
First Variable Life, Ark.	3.5
First of Neenah, Wis. (Mtg)	3.4
Huntington Banks, Ohio	3.4
First Natl., Jackson, Miss.	3.3
Central Fid., Lynchburg, Va.	3.1
Allied Bank, Texas	2.9
Ouachita National, La.	2.9
Philadelphia National, Pa.	2.8
Unibanctrust, Ill.	2.8
Puget Sound Natl., Wash.	2.7
Old Second Natl., Ill.	2.6
North Carolina Natl. Bank	2.5
Trust Svcs. of Amer., Calif.	2.5
Pioneer Bank, Ill.	2.5
City Trust, N.J.	2.5
Beverly Bank, Ill.	2.4
Confederation Life, Ont.	2.4
First of Neenah, Wis.	2.4
Bank of Oklahoma	2.4
St. Louis County Bank, Mo.	2.4
Equibank, Pa.	2.4
Old Second Natl., Ill.	2.4
Natl. of Com., Tenn.	2.4
Commerce Union, Tenn.	2.4
Mid-State Bancorp., Pa.	2.4
First of Peoria, Ill.	2.4
First City Dallas	2.4
First Interstate of Nevada	2.3
Gary-Wheaton Bank, Ill.	2.3
First Citizens, N.C.	2.3
First of K.C., Mo.	2.3
First of Elgin, Ill.	2.3
First of Grand Island, Neb.	2.2
Moline National, Ill.	2.2
Marquette National, Minn.	2.2
State Street Bank, Mass.	2.2
Kellogg Bank, Wis.	2.2
First of Bartlesville, Okla.	2.1
Olympic Bank, Wash.	2.1
Lake Shore National, Ill.	2.1
American Fletcher (Int.Mat.)	2.1
Midlantic National, N.J.	2.0
Bankers Trust B, N.Y.	2.0
First Interstate of Wash.	2.0
Key Trust Co., N.Y.	2.0
Comerica, Mich. (Int.)	2.0
Riggs of Washington	2.0
Oregon Bank	1.9
First Natl. State, N.J.	1.9
Citytrust, Conn.	1.9
Cullen Bank, Texas	1.9
First of Cincinnati (Int.Mat.)	1.9
Liberty National, Ky.	1.9
Bank of New England, Mass.	1.9
Mercantile Trust, Mo.	1.9
United Virginia Bank	1.9
First Natl., Lincoln	1.9
First of Pa., Erie	1.8
Security Pacific, Calif.	1.8
Manufacturers & Trader, N.Y.	1.8
Mich. Natl. of Grand Rapids	1.8
American Natl., Chicago	1.8
Fidelity Bank, Okla.	1.8
Hamilton Bank, Pa.	1.8
Irving Trust, N.Y.	1.8
LBKL Index	1.5
Salomon Bros. Index	−0.3

One-year returns

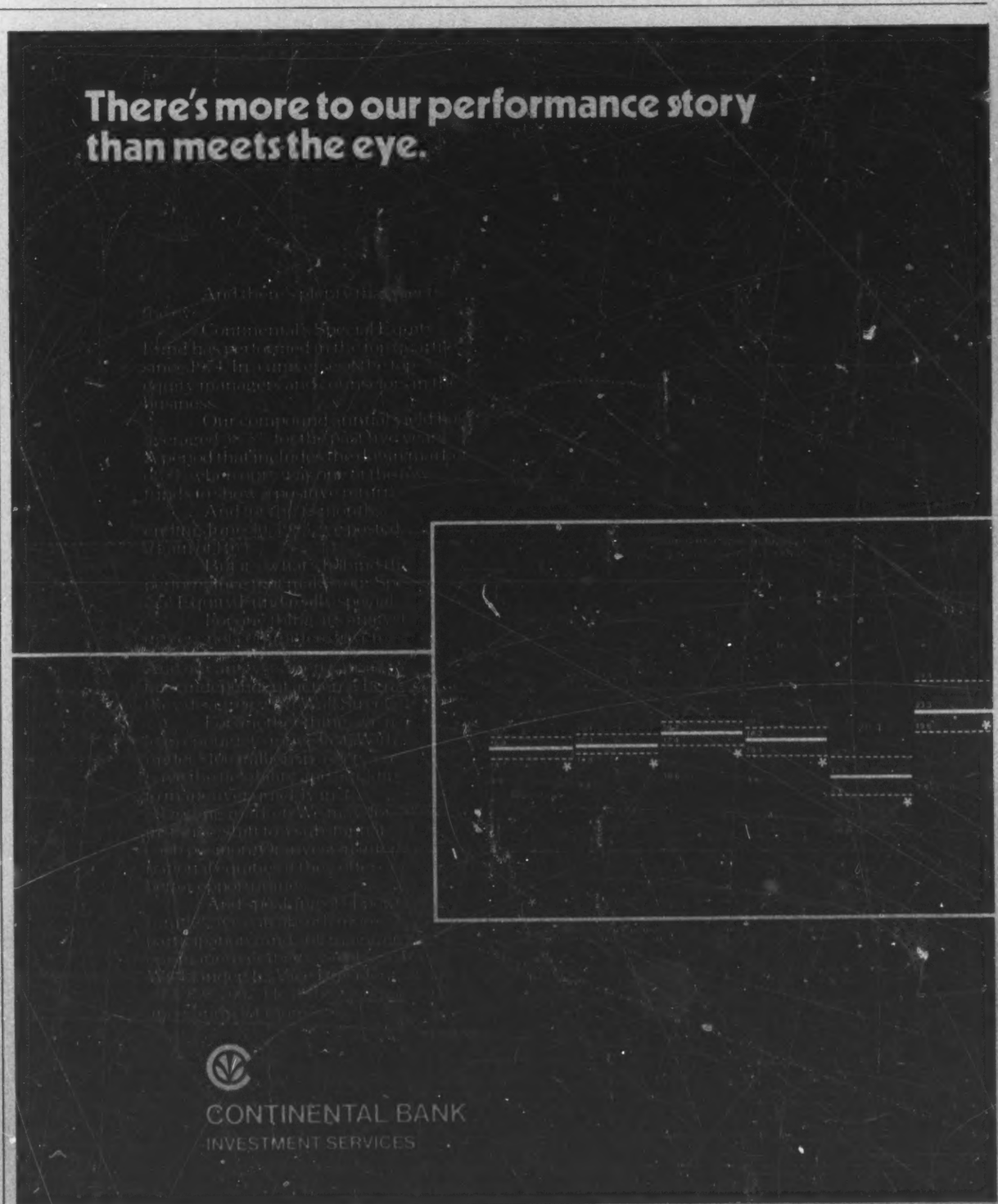
	%
First Variable Life, Ark.	26.9
American Natl., Austin, Texas	22.2
Key Trust Co., N.Y.	22.0
Central Fid., Lynchburg, Va.	21.8
Trust Svcs. of Amer., Calif.	21.5
Pioneer Bank, Ill.	20.8
First Wis. National	20.5
Lloyds Bank, Calif.	20.4
Security-Peoples Trust, Pa.	20.3
Society National, Ohio	20.2
Beverly Bank, Ill.	19.7
First of Neenah (Mtg.)	19.4
Life of Virginia	19.2
Riggs of Washington	19.1
Ohio Citizens Trust	19.1
United of Denver, Colo.	18.9
State Street Bank, Mass.	18.6
Mutual of N.Y.	18.3
First City Austin, Texas	18.2
Liberty National, Okla.	18.2
Merchants National, Ala.	18.1
Equibank, Pa.	18.0
Manufacturers & Trader, N.Y.	18.0
Hamilton Bank, Pa.	17.8
CIGNA Corp., Conn.	17.7
Cullen Bank, Texas	17.7
Central Fid., Richmond, Va.	17.6
First Interstate of Ariz.	17.6
Marine Midland, N.Y.	17.5
Morgan Guaranty, N.Y. (Med.)	17.5
Confederation Life, Ont.	17.3
California First Bank	17.3
First Natl. State, N.J.	17.3
Marine Trust, Wis.	17.3
First Merch., Richmond, Va.	17.3
First Interstate of Calif.	17.3
Colonial Amer. Natl., Va.	17.2
Intrawest, Colo.	17.2
Connecticut National Bank	17.2
Security Trust, Rochester	17.2
Gary-Wheaton Bank, Ill.	17.2
HT Investors Inc., R.I.	17.1
Prudential, N.J.	17.0
Security Natl. Bank, W. Va.	16.9
Texas American Bank	16.9
Toledo Trust, Ohio	16.9
Salomon Bros. Index	16.9
Peoples Trust, Ind.	16.8
Wheeling Dollar Bank, W. Va.	16.8
John Hancock	16.7
New England Mutual, Mass.	16.7
First of Warsaw, Ind.	16.6
Seattle Trust, Wash.	16.6
Huntington Banks, Ohio	16.6
Texas Commerce	16.5
Old National, Wash.	16.4
First of Chicago	16.4
IAA Trust Co., Ill.	16.4
Colorado National Bank	16.4
Moline National, Ill.	16.4
LBKL Index	15.2

Three-year returns

	%
First Merch., Richmond	18.3
Life of Virginia	18.1
Allied Bank, Texas	17.9
Cullen Bank, Texas	17.5
Bankers Trust A, N.Y.	16.7
Union Planters, Tenn.	16.6
First Variable Life, Ark.	16.5
Lloyds Bank, Calif.	16.4
Marine Midland, N.Y.	16.3
Fidelity Bank, Pa.	16.3
Security-Peoples Trust, Pa.	16.3
Ohio Citizens Trust	16.2
Beverly Bank, Ill.	16.1
Central Natl., Cleveland	16.1
Girard Bank, Pa.	16.1
First Interstate of Calif.	16.1
Riggs of Washington	16.0
Key Trust Co., N.Y.	16.0
Pacific Mutual, Calif.	16.0
Commerce Union, Tenn.	16.0
Connecticut National Bank	15.9
American Security, D.C.	15.9
Intrawest, Colo.	15.9
Centerre Trust, Mo.	15.9
Marine Trust, Wis.	15.8
Morgan Guaranty, N.Y. (Med.)	15.7
American Natl., Austin	15.7
Trust Svcs. of Amer., Calif.	15.6
First Wis. Natl., Madison	15.6
Manufacturers Hanover, N.Y.	15.6
Mercantile Trust, Mo.	15.6
Fourth Natl., Wichita	15.6
Wheeling Dollar Bank, W. Va.	15.5
Confederation Life, Ont.	15.5
Texas American Bank	15.5
Bank of New England, Mass.	15.5
State Street Bank, Mass.	15.5
John Hancock	15.4
Fidelity Union, N.J.	15.4
United of Denver	15.4
Seattle 1st Natl., Wash.	15.4
Central Fid., Lynchburg, Va.	15.4
Genesee Merchants, Mich.	15.3
Landmark Union Trust, Fla.	15.3
CIGNA Corp., Conn.	15.2
Society National, Ohio	15.2
First Natl. State, N.J.	15.2
Bank One, Dayton	15.2
First Jersey National, N.J.	15.2
First Interstate of Ariz.	15.2
First of Warsaw, Ind.	15.2
Fidelity Union (Int.), N.J.	15.2
American Natl., Chicago	15.1
First Natl. of Commerce, La.	15.1
Wachovia Bank, N.C.	15.0
First Bank, Milwaukee	15.0
First Interstate of Wash.	15.0
Pioneer Bank, Ill.	15.0
Northern Central, Pa.	15.0
Crown Life, Ont.	15.0
Irving Trust, N.Y.	15.0
State Mutual Life, Mass.	15.0
Commonwealth Natl., Pa.	15.0
Mutual of N.Y.	15.0
Colonial Am. Natl., Va.	15.0
Seattle Trust, Wash.	15.0
Hibernia National, La.	15.0
LBKL Index	15.0
Salomon Bros. Index	14.7

Five-year returns

	%
Fourth Natl., Wichita, Kan.	13.6
Texas Commerce	13.4
First Merch. Richmond, Va.	12.8
Hibernia National, La.	12.3
Seattle 1st Natl., Wash.	12.1
Beverly Bank, Ill.	12.0
Cullen Bank, Texas	12.0
Fidelity Bank, Pa.	11.9
Interfirst Invt. Mgmt., Texas	11.9
Commerce Union, Tenn.	11.8



Allied Bank, Texas 11.8
Boatmen's National, Mo. 11.6
First of K.C., Mo. 11.5
Jefferson Trust, Ill. 11.5
Manufacturers Hanover, N.Y. 11.5
First Jersey Natl., N.J. 11.4
Pacific Mutual, Calif. 11.4
American Security, D.C. 11.3
Bankers Trust B, N.Y. 11.3
Bank of New England, Mass. 11.3
Riggs of Washington 11.0
Mercantile Trust, Mo. 10.9
Mid-State Bancorp, Pa. 10.8
First Wis. Natl., Madison 10.8
United of Denver, Colo. 10.8
Fidelity Union (Int.) N.J. 10.8
American Natl., Austin, Texas 10.8
First of Pa., Erie 10.8
First Interstate of Calif. 10.7
Centerre Trust, Mo. 10.7
Merchants Natl., Pa. 10.7
First of Neenah, Wis. 10.7
Pittsburgh National 10.6
First of Neenah (Mtg.) 10.6
Life of Virginia 10.4
Union Planters, Tenn. 10.4
American Bank, Tenn. 10.4
US Trust, N.Y. 10.4

First Bank Milwaukee 10.4
Lloyds Bank, Calif. 10.4
Security-Peoples Trust, Pa. 10.4
Manufacturers Detroit, Mich 10.4
North Carolina Natl. Bank 10.3
Seattle Trust, Wash. 10.2
Central Fid., Lynchburg, Va. 10.2
Landmark Union Trust, Fla. 10.2
Puget Sound Natl., Wash. 10.2
First of Warsaw, Ind. 10.2
First Natl. of Com., La. 10.2
American Natl., Chicago 10.2
American National, Minn. 10.1
Toledo Trust, Ohio 10.1
Oregon Bank 10.1
Gary-Wheaton Bank, Ill. 10.1
First of Elgin, Ill. 10.1
LBKL Index 9.2
Salomon Bros. Index 6.4

Ten-year returns

	%
Bank One Trust, Ohio	11.2
Hibernia National, La.	10.5
Pacific Mutual, Calif.	10.1
Commerce Union, Tenn.	10.0
Jefferson Trust, Ill.	9.9
Fourth Natl., Wichita, Kan.	9.9

First Merch., Richmond, Va. 9.8
Seattle 1st Natl., Wash. 9.6
Mercantile Trust, Mo. 9.6
Fidelity Bank, Pa. 9.5
California First Bank 9.5
Fidelity Union (Int.), N.J. 9.5
Manufacturers Hanover, N.Y. 9.5
Centerre Trust, Mo. 9.4
Cullen Bank, Texas 9.4
Texas Commerce 9.4
US Trust, N.Y. 9.4
Allied Bank, Texas 9.2
CIGNA Corp., Conn. 9.2
Bankers Trust B, N.Y. 9.1
First of Neenah, Wis. 9.0
First Jersey Natl., N.J. 8.9
First Interstate of Calif. 8.8
Puget Sound Natl., Wash. 8.8
First of Bartlesville, Okla. 8.8
Oregon Bank 8.7
First Wis. Natl., Madison 8.7
Manufacturers Detroit, Mich. 8.6
Mercantile Safe, Md. 8.5
North Carolina Natl. Bank 8.5
American Bank, Tenn. 8.5
Massachusetts Mutual 8.4
Ohio Citizens Trust 8.4
Landmark Union Trust, Fla. 8.4

American Natl., Chicago 8.4
American Fletcher (Int. Mat.) 8.3
Third Natl., Nashville 8.3
Security-Peoples Trust, Pa. 8.2
Lloyds Bank, Calif. 8.2
Bankers Trust A, N.Y. 8.2
United of Denver, Colo. 8.2
Summit & Elizabeth, N.J. 8.2
Union Planters, Tenn. 8.2
First Interstate of Ariz. 8.2
BancTexas, Dallas 8.2
Salomon Bros. Index 6.4
LBKL Index 2.9

Top quartile commingled special equity funds

Three-month returns

	%
Midlantic EBF Special	4.0
Shawmut Value Equity	3.4
Valencia Bank, Calif.	3.4
First of Boston Equity Yield	2.9
First City Natl., Austin	2.4
Morgan Supple. Oppor.	1.8
Metropolitan Sep. Acct. 5	1.2
Interfirst Fort Worth Income	1.1

Oregon Aggressive Growth 0.9
United Virginia Bank 0.6
Wachovia Special Values 0.4
Chase Value Equity 0.2
Merchants Nat.-Ind. Eq. 2 ..... −0.2
Am. Fletcher E Fund ..... −1.3
Prudential (Midco) ..... −1.6
Mercantile Sec. Growth ..... −1.6
First of Chic. Inst. Spec. ..... −1.6
Kellogg Bank Growth ..... −1.8
Man. Hanover Uncommon ..... −2.0
Kellogg Bank High Risk ..... −2.1
Chase Investors Spec. Eq. ..... −2.2
Trust Co. Bank-Sun Belt Eq. ..... −2.6
Fidelity Mgmt. Trust ..... −2.6
Morgan Intermed Cap. Eq. ..... −2.7
Third Natl. Spec. Eq. ..... −2.8
Old Second Natl. HR10 Eq. ..... −2.9
First of Neenah, Wis. ..... −2.9
Prudential (Smallco) ..... −3.0
Seattle First NW Fund ..... −3.3
John Hancock Growth Stock ..... −3.3
City Trust, N.J. ..... −3.5
Merchants Nat-Al Spec.Stk. ..... −3.7
Natl. of Detroit-Oppor. ..... −3.7
Cent. Fidelity, Lynchburg ..... −3.9
Man. Hanover Supple. Eq. ..... −4.2
Natl. City Bank, Ohio, Spe. ..... −4.4
AmeriTrust Spec. Fund ..... −4.5
First Penn. Spec. Eq. ..... −4.8
Norwest Special Inv. ..... −4.8
Shawmut Tech. Equity ..... −4.9
Chase Interm Cap. Eq. ..... −4.9
Equitable Life Sep. Acct. 3 ..... −5.0
Standard & Poor's 500 ..... −0.1

One-year returns

	%
Security Pacific Growth	139.8
California First	137.0
Equitable Bank Special	124.1
American Security	104.3
Fidelity Mgmt. Trust	96.4
Conn. Natl., Supple. Eq.	86.0
Natl. City Bank, Cleveland, Spe.	79.1
Merchants Nat.-Ala., Spec. Stk.	77.9
Cent. Fidelity, Richmond	77.3
Equitable Life, Sep. Acct. 3	74.8
First Interstate, Calif. W. Tec.	74.0
First Trust of St. Paul	73.8
Northern Trust, Spec. Eq.	73.0
First Pennsylvania Spec. Eq.	71.3
Third Natl., Spec. Eq.	68.5
Bankers Trust, Supp. Eq.	68.2
First of Maryland, Spec. Eq.	68.2
First of Boston, Eq. II	67.1
Chemical Emp. Ben. Spec. Fund	66.6
Chase Interm Cap. Eq.	66.5
Northern Central	65.7
Man. Hanover Spec. Eq.	65.4
Irving Trust, Spec. II	65.0
First of Chicago, Inst. Spec.	64.3
Republic Natl., Spec. Eq.	62.9
Mercantile Sec. Growth	62.4
Norwest Special Inv.	62.1
First Wis. Madison, Spec.	62.1
Man. Hanover, Uncommon	61.5
First of Neenah, Wis.	61.2
Morgan Supple. Oppor.	60.6
Wachovia Special Values	60.4
Chase Value Equity	60.3
First of Grand Island	59.7
Prudential (Smallco)	59.6
Merchants Natl., Pa.	59.5
Bank of Calif. Spec. Growth	58.9
Prudential (Midco)	58.6
United Virginia Bank	58.1
HT Investors Special	58.0
Standard & Poor's 500	44.5

Three-year returns

	%
California First	46.0
Merchants Nat., Ala. Spec. Stk.	34.0
Norwest Special Inv.	30.3
First of Maryland Sec. Eq.	30.1
Northern Central	30.1
Cent. Fidelity, Richmond	30.1
Northern Trust, Spec. Eq.	30.0
Mercantile Sec. Growth	29.4
First Pennsylvania Spec. Eq.	28.9
Bankers Trust Supp. Eq.	28.7
Conn. Natl., Supple. Eq.	28.6
Chase Value Equity	27.2
First Wis. Madison Spec.	26.4
First Trust of St. Paul	25.9
Prudential (Smallco)	25.8
Chemical Emp. Ben. Spec. Fund	25.7
Natl. City Bank, Cleveland, Spec.	25.7
First of Chicago, Inst. Spec.	25.7
Third National, Spec. Eq.	25.6
Chase Investors, Spec. Eq.	25.5
Chase Interm Cap. Eq.	25.3
Bank One Dayton Aggres. Eq.	25.1
Midlantic EBF Special	24.6
Prudential (Midco)	23.9
Man. Hanover, Uncommon	23.8
HT Investors Special	23.5

Continued on page 77

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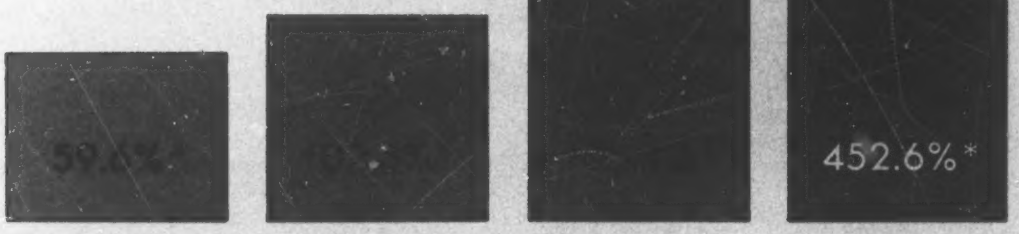

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*These figures show the total return as of 6/30/83 of investments made on 12/31/77. The figure for the CGMG represents the average of accounts managed during this period and includes reinvestment of all dividends. The figures for the S&P 500 and the Dow Jones Industrial Average — widely recognized indices of stock market performance (based on an unmanaged group of stocks) — include the reinvestment of all dividend distributions. These figures are not necessarily an indication of future results.

Comparative performance of Capital International Singapore index & Standard & Poor's 500 stock index
(Total return in U.S. dollars, %)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1973-1982
CI Singapore	−32.85	−48.18	63.68	13.88	5.99	45.04	28.55	62.64	18.31	−16.68	7.47*
S&P 500	−14.77	−26.39	37.15	23.68	−7.24	6.66	18.57	32.40	−4.85	21.53	6.69*

Compound per annum return. Source: InterSec Research Corporation.

Sun may be rising on SES

By Graham Bamping

THE STOCK Exchange of Singapore Ltd. has a deserved reputation for being a relatively inefficient and volatile market. However, the SES also is unusual because it serves the two rapidly growing economies of Singapore and Malaysia. The pace of development is an indication to investors of the probability of continued rapid earnings growth and also of the eventual maturity of the SES as an investment market.

Like Japan in the early 1970s, this combination of factors makes it a particularly attractive arena for the skills of a research-based, active international investment manager in search of valuation anomalies.

The figure above shows that from 1973 to 1982, the SES produced a total return, in U.S. dollar terms, 78 basis points per annum above the Standard & Poor's 500 stock index. However, performance appears to have varied significantly from year to year, with particularly high returns achieved during phases of recovery in world economic activity, such as in 1975, and years when equity values rose sharply worldwide, as in 1980.

The SES is what has become known as a "high beta" market. InterSec Research calculates the SES is about twice as volatile as the S&P 500 — its volatility is about 209% — and that there is little correlation between monthly observations of the movements of the two markets — the r-squared is only 0.23.

Where do we stand in the cycle now and, more importantly, what is the fundamental basis for investing in a relatively small and historically volatile market?

Singapore

Since 1970, Singapore has maintained real gross domestic product growth averaging 9% a year, and now has the second highest GDP per capita in Asia after Japan.

Singapore is a small island, about 10 times the size of Manhattan, at the southern tip of the Malaysian Peninsula. It is at the heart of Southeast Asia, a vast, resource-rich hinterland, which it serves, both as entrepot and outlet to the world market. The island is inhabited by more than 2 million people, of whom approximately 75% are Chinese, 15% Malay and 10% Indian.

The Oriental potpourri of cultures and the high aspirations of a largely migrant population have fueled the economy. This energy has been conserved and channeled to upgrade the output of the economy, with an emphasis on enhanced education, productivity and technology. Singapore can lay claim to a record of political stability and continuity of policy unmatched worldwide, having been governed by Lee Kuan Yew for almost 25 years.

A move has been engineered away from the traditional low value-added marine service industries, such as ship repair and salvage, toward financial services and higher technology industry. In the stock market, the major beneficiaries of this trend have been the banks and finance companies; in the industrial sphere, oil-rig builders have benefited.

Malaysia

By contrast, Malaysia is a "lucky country" with a large endowment of natural resources. An energy exporter, Malaysia is also the world's largest producer of natural rubber, palm oil and tin. Such natural wealth is not unusual in Southeast Asia, but what distinguishes Malaysia from other countries is a stable and consistent government.

Since obtaining its independence in 1957, Malaysia has been governed by a coalition of parties representing the three main ethnic groups. The Malaysian population is approximately 55% Bumiputra ("sons of the soil" — the indigenous population), 35% Chinese and 10% Indian. The prime minister always has been the leader of the main Bumiputra party, UMNO.

Historically, the distribution of material wealth in Malaysia has been skewed toward the Chinese community, which traditionally has taken the lead in commerce. As education standards among the largely Bumiputra rural population have risen, so have aspirations.

The government has gone some way toward meeting these aspirations by arranging a more "equitable" distribution of wealth, and not causing a backlash from the minority racial groupings. These objectives can only be met in the context of a rapidly growing economy.

Thus, the new economic policy instituted in 1970 was designed not only to redistribute wealth but also to foster growth and productivity, particularly through the development of a manufacturing sector.

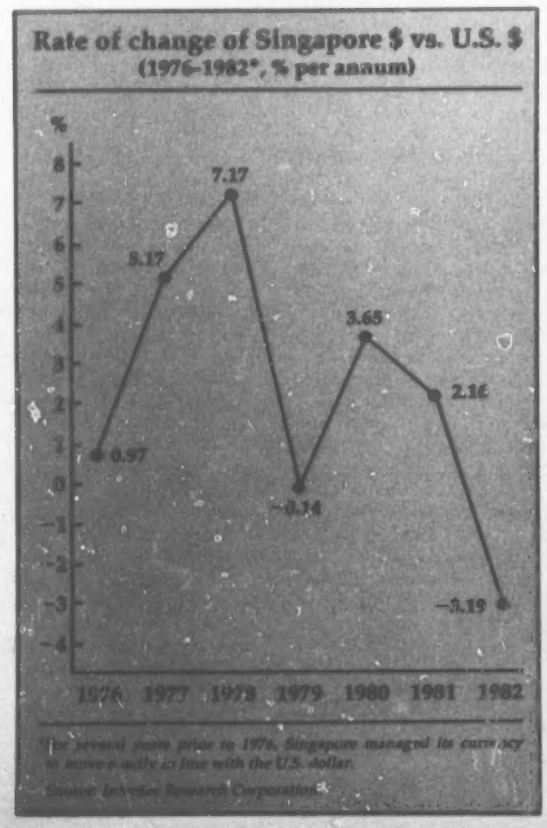
Malaysia has enjoyed real gross development product growth averaging 7.4% per year during the life of the new policy. By 1981, manufacturers represented 23.6% of Malaysia's exports compared with 11.1% in 1970. Also, considerable progress has been made toward the new policy target of 30% Bumiputra ownership of corporate equity by 1990.

The recent past

In neither country did inflation in the 1970s or the 1980s reach levels sufficient to curtail expansionary policy.

A major factor in allowing the finance of heavy investment required to generate such high rates of growth without inflationary consequences is the high savings ratio exhibited by both countries: for Singapore and Malaysia, 38.5% and 21.7%, respectively in 1982. Singapore has found it unnecessary to borrow in the international markets, while Malaysia is one of the most highly regarded of sovereign risks.

Rate of change of Singapore $ vs. U.S. $
(1976-1982*, % per annum)



In several years prior to 1976, Singapore managed its currency to move exactly in line with the U.S. dollar.
Source: InterSec Research Corporation.

The figure below shows that the Singapore currency has been a relatively steady feature against the U.S. dollar in recent years. The Malaysian dollar moves much in line with its Singapore counterpart.

Nonetheless, the world recession has had its impact on the economies of Singapore and Malaysia. The demand for Malaysia's commodities was reduced significantly and prices suffered. This affected the regional service center, Singapore, which experienced a decline in demand for its manufactured exports. This was reflected in the poor performance of the SES between July 1981 and August 1982.

However, in 1982, Singapore still generated 6.3% growth, and Malaysia showed a 3.9% increase. This enviable economic performance has been due particularly to countercyclical government expenditure on economic infrastructure.

The future

The Malaysian economy, in particular, remains highly sensitive to commodity prices. Agriculture still supports about 25% of the population, and the disposable income of these people is tied directly to produce prices.

Thus, as the recovery in world activity continues, growth will pass increasingly to the private sector, which will reap the benefits of the infrastructural expenditure of recent years. Foundations are in place for continued growth based not only on the plantation companies, which are well-placed, but also on the manufacturing sectors of the two economies, upgrading productivity and value-added.

In Malaysia, this initially will take the form of further development of consumer-related industry, such as residential property development and related demand for building materials, especially the cement manufacturers. The food and beverage industry, both manufacturing and retailing, should prosper, as consumer tastes continue to Westernize.

Singapore increasingly will become the regional center for high technology, particularly electronics and semiconductors.

Its role in the global financial service market also will continue to grow. Banks and financial service companies now provide the most attractive investment opportunities since many of them are standing on large discount ratings to the market average, even though they will continue to show well-above-average earnings growth.

Given the commodity exposure of the regional economy, one might expect the SES to lag the stock markets of the industrially developed nations in the early stages of recovery, moving more in line with "late cycle" markets like Australia. In fact, data produced by InterSec Research show equally little correlation between the movements of the SES and Australian markets — a little more than 21% in U.S. dollar terms.

Again, the explanation appears to lie with the relative smallness and volatility of the SES. At the end of 1983, the SES as measured by the Capital International index stood 65% above its August 1982 low, while the S&P 500 had risen 64.1% in U.S. dollar terms. Given the performance history of the SES, a strong relative performance by the market can be expected if economic recovery is sustained.

Investors may expect to see significant changes in relative ratings within the market as institutions, both foreign and domestic, become more active and take advantage of existing valuation anomalies. With continued industrial development, more companies will seek SES listing, and increasing maturity is likely to reduce the volatility of the market. ■

Graham D. Bamping is manager of Morgan Grenfell Investment Services Ltd., New York.

Features

Letters . . .

Continued from page 10

My article contrasted the turns of portfolio insurance with that of a "strawman" — a static "allocated" strategy — and showed that even a "naive" static strategy having similar volatility would have outperformed portfolio insurance. I did not suggest a static strategy is the best investment strategy.

Additionally, since portfolio insurance does not forecast returns, but rather trades based upon changing wealth levels, it is not "dynamic" but rather "mechanical."

A truly dynamic strategy would reallocate assets based upon a forecast of returns.

While Mr. Ferguson asserts portfolio insurance triggers "stop-loss" and "start-gain" orders, a more accurate description is that portfolio insurance triggers equity sale and equity purchase orders.

In a real time example of portfolio insurance presented by Hayne E. Leland of Leland O'Brien at the University of California Berkeley Program in Finance, the portfolio insurance program was begun on March 4, 1982, with an initial allocation of equities of 74.2%.

By April 2, the value of the equity portfolio increased by 4%, triggering a purchase of equities that increased the equity allocation by 7.7 percentage points. This did not, however, start a gain but rather a loss since the value of the equity portfolio subsequently fell by 5.3% from April 2 to Aug. 10, triggering a sale of equities.

Bruce I. Jacobs
Director-asset management
The Prudential Insurance
Co. of America
Prudential Plaza,
Newark, N.J.

p.i.p.e.r.

Continued from page 16

Central Tr., Ohio, Cap. App.	22.8
First of Boston, Equity II	22.3
Interfirst Invt. Mgmt., Texas	22.0
Irving Trust, Special II	21.3
Equitable Life Sep. Acct. 3	21.1
First of Boston, Eq. Yield	20.9
Standard & Poor's 500	**15.6**

Five-year returns

	%
California First	43.5
Northern Central	40.9
Mercantile Sec. Growth	34.6
Prudential (Smallco)	32.0
Bankers Trust, Supp. Eq.	31.1
Chemical Emp. Ben. Spec. Fund	30.7
Norwest Special Inv.	29.3
Merchants Natl., Ala., Spec. Stk.	29.2
Equitable Life, Sep. Acct. 3	28.9
Equitable Bank Special	27.6
Chase Investors Spec. Eq.	27.6
First of Maryland, Spec. Eq.	25.8
Chase Interm Cap. Eq.	25.4
Interfirst Invt. Mgmt., Texas	25.0
Irving Trust Special II	24.4
First Pennsylvania Spec. Eq.	24.1
Republic Natl. Spec. Eq.	24.0
Morgan SSI Equities	24.0
FIT Investors Special	23.8
Natl. City Bank, Ohio, Spec.	23.3
US Trust, Suppl. Growth	22.8
Metropolitan Sep. Acct. 5	22.5
Cent. Fidelity, Richmond	22.4
Standard & Poor's 500	**16.2**

Ten-year returns

	%
Mercantile Sec. Growth	21.6
Equitable Bank Special	21.5
California First	20.0
Natl. City Bank, Ohio, Spec.	17.2
First Pennsylvania Spec. Eq.	17.2
AmeriTrust Spec. Fund	16.9
Chase Investors, Spec. Eq.	16.5
Bankers Trust, Supp. Eq.	16.5
Kellogg Bank Growth	16.1
Republic Natl., Spec. Eq.	15.9
Man. Hanover, Special Eq.	15.7
Equitable Life, Sep. Acct. 3	15.6
Norwest Special Inv.	15.2
Morgan Intermed. Cap. Eq.	14.6
Standard & Poor's 500	**9.8**

Mattel seeks to terminate $25 million defined benefit plan . . .

Continued from page 1

ing, "It's not a question of needing cash for this week or next week."

He said the defined benefit plan and a defined contribution plan for employees in Southern California would be replaced with a "very expensive" defined contribution plan with "improved benefits" that would offer three investment options for employees: a guaranteed investment contract, an index fund and an aggressive growth stock fund.

Mr. Sherman said Wells Fargo Investment Advisors Division would manage the index fund and Mackay-Shields Financial Corp. would manage the growth stock fund.

Mr. Sherman credited Mackay-Shields' performance records during the past three to five years with, in part, providing the excess assets.

He said Prudential Insurance Co. of America will provide the GICs for a "first three-month period."

Although Mattel dismissed 260 employees in its electronics division last July, Mr. Sherman said the company is in the process of getting adequate financial resources to June of 1985 through a revolving credit agreement with its banks. Mattel is the producer of Intellivision and Aquarius home computers.

Its video game and home computers have suffered along with its competition, Coleco Industries Inc., Atari Inc. and Texas Instruments Corp.

Some analysts have speculated Mattel might choose to bow out of the market altogether, but the company has denied that.

"Nobody did as well as they thought they would. People thought it would be a five-year market, and it turned out to be an 18-month market," said Mr. Sherman about the video-game business.

It is also rumored Mattel might be trying to sell its Western Publishing Co. unit in Racine, Wis., for about $100 million, but a company spokesman would only say, "We have considered and will continue to consider any options in benefit of shareholders."

Stressing that the planned termination was not because of corporate cash flows Mr. Sherman said Mattel has some larger defined benefit plans in some of its subsidiaries that it is not terminating, such as an hourly plan with Western Publishing. Also, he said, the cost of the new defined contribution plan would be "equal to or greater than" the targeted defined benefit plan and a defined contribution plan that would continue but without Southern California salaried employees.

The switch to the defined contribution plan "will be better for our work force," Mr. Sherman said, predicting employees covered by it will prefer it.

He said the switch was the result of an "opportunity coming along."

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1977–1982 (six years)	+16.4%	+10.3%	+9.2%
1980–1982 (three years)	+23.9%	+15.2%	+8.7%

BEAR MARKET YEARS	First Wisconsin Special Equity Fund	Standard & Poor's 500	Difference %
1974 performance	(9.4%)	(26.5%)	+17.1%
1977 performance	+0.2%	(7.3%)	+ 7.5%
1981 performance	+8.4%	(4.9%)	+13.3%

3 HIGH-QUALITY CHARACTERISTICS*

Quality Characteristics* (As of December 31, 1982)	First Wisconsin Special Equity Fund	Standard & Poor's 500
5-year earnings/share growth	16.5% per annum	11.1% per annum
5-year dividend/share growth	16.1% per annum	13.3% per annum
Average return on equity — 5 years	16.5%	16.0%
Theoretical reinvestment rate	15.6%	10.4%
Debt to capital ratio	34.7%	34.2%

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*As measured by Indus Corporation

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Special equities keep pace . . .

Continued from page 13

the quarter was around 1.3, although, given the characteristics of the typical aggressive growth stock, beta is not a prime prerequisite for selection, Mr. Nicholas said.

Among the high fliers for the fund were **America West Airlines Inc.** which typifies the new direction of the airlines, Mr. Nicholas said; **American Carriers Inc.**, a trucking company; **Cannon Group Inc.**, a motion-picture maker; and **Ultimate Corp.**, a producer of highly user-friendly software. Average capitalization for the fund is $150 million, he added, while those companies in the S&P 500 index share an average capitalization of about $1.9 billion.

For the 12-month period, the other top performers were California First Capital Management's special fund, up 137%, Equitable Bank of Baltimore's special fund, up 124.1%, American Security's special fund, up 104.3%, and Fidelity Management Trust's fund, up 96.4%.

California First's special fund led for both the three- and five-year periods ending Sept. 30, with compound annual returns of 46% and 43.5% in that order.

Runners-up for the three-year period were Merchant National Bank's special stock fund showing a compound annual return of 34% and Norwest Bank of Minneapolis' Special Investment Account with 30.3%, while First National Bank of Maryland's Special Equity Fund and the special fund of Northern Central in Williamsport, Pa., shared fourth place with returns of 30.1%.

In the five-years ending Sept. 30, California First was trailed by Northern Central with a compound annual return of 40.9%, Dallas' Mercantile Securities Growth Fund with 34.6%, Prudential Insurance Co. of America's Smallco Fund, 32%, and Bankers Trust Co.'s Supplemental Equities Fund in fifth place with 31.1%.

Mercantile Securities in Dallas heads the list of winners for the 10 years ending Sept. 30, with a compound annual return of 21.6%.

"Our fund differs from the traditional special growth fund in that it doesn't have a large representation in well-known, high-multiple growth stocks. We work in more obscure growth companies," said Walter Adams, president and manager of the $20 million Growth Fund.

During the past year, a large number of consumer names, special retailers and some smaller technology-oriented companies were the best performing stocks in the fund, Mr. Adams said. These included **Ames Department Stores Inc.**, **BB Industries**, **Zenith Radio Corp.**, **Triangle Pacific Corp.** and **Gulf & Western Industries Inc.**

At the end of the third quarter, Mr. Adams said, the fund went from being almost fully invested to about 35% cash. This, he explained, was "because the environment wasn't good any longer and the emphasis was to protect gains we'd already made."

Leading spots for the 10-year period also went to Equitable Bank in Baltimore for its Special Fund with a compound annual return of 21.5%, California First with 20%, and the National City Bank of Cleveland's Special Fund and the First Pennsylvania's Special Equities Fund, which each had a return of 17.2%.

While many of the funds tallied were small, high-growth funds geared for rapid appreciation, some that ranked high on the list were significantly larger.

Equitable Investment Management's Separate Account 3 is one example, with assets of about $250 million. It commanded 10th place in the one-year period ending Sept. 30, with a compound annual return of 74.8%, ninth place in the three-year period with 28.9%, and 12th place in the 10-year period with 15.6%.

According to Paul Gerard, assistant vice president and manager of Separate Account 3, the fund's only rule for selection is attention to value. "We fall in love with no stock," he said.

Mr. Gerard said Equitable "rigorously sells" stocks "as they become overpriced. We are flexible by design."

He attributed much of the fund's success to Equitable Investment Management's organization. "It's open-minded, with very open channels of communication. There are no barriers to making money here."

The fund, he explained, was made up of stocks that were inefficiently valued by the market that as a result became grossly undervalued. Because of this, Mr. Gerard added, the fund's average beta of 1.5 was "very misleading." Some of the year's best performing issues were **Velcro Industries N.V.**, **Worthington Industries**, **Intel Corp.**, **Kyocera Corp.**, **BBDO International** and **Auto-trol Technology**, he said. ■

Bond funds . . .

Continued from page 13

Security Bank, Washington, 15.3%. The LBKL bond index was 15.2% for the year.

In the third-quarter listing of all-sized banks and insurance companies, none of these firms appeared in the top. Comerica, the highest ranking of firms with more than $100 million, was 47th in the overall ranking.

Security National Bank, New York, with 3.6% led the overall top 10 in the third quarter. It was followed by First Variable Life, 3.5%; First National Bank of Neenah, Wis., 3.4%; Huntington National Bank, Columbus, Ohio, 3.4%; First National, Jackson, Miss., 3.3%; Central Fidelity, Lynchburg, Va., 3.1%; Allied Bank of Texas, Houston, 2.9%; Ouachita National Bank, in Louisiana, 2.9%; Philadelphia National Bank, 2.8%; and Unibanctrust in Illinois, 2.8%.

Managers of the smallest funds can more readily shift their small portfolios, explained Edward Snyder, vice president at The National Bank of Detroit, a top performer among the large banks.

"It's very hard to swing a big fund around," he explained. Small managers, on the other hand, can "take [illegible]ense positions" and change them quickly.

More important, he pointed out, the statistics are widely dispersed. The median small bank probably has a better return than the median large bank, but the worst small banks underperform the worst large banks, he asserted.

Mr. Snyder attributes the Detroit bank's good third-quarter performance among large banks to its holdings of Government National Mortgage Association mortgage-backed securities.

"We held a very heavy concentration of Ginnie Maes and Ginnie Maes did well" after midyear, he said. The bank's pooled fund is about $300 million, and Ginnie Maes constitute some 40%. They are usually around 20% of the portfolio.

The bank started buying mortgage-backed securities at the end of 1982. "We thought Ginnies had taken a beating earlier," Mr. Snyder explained.

Fifth-ranked Harris also had "large commitments to mortgage-

Continued on page 80

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MARINE MIDLAND BANK, N.A.

*Source, A. G. Becker Funds Evaluation Service, June 30, 1983.

Equity fund returns slip . . .

Continued from page 13

to 27%. He added, "We will continue to liquidate stocks because the shaky and peculiar thesis that has been the basis of this bull market ceases to exist."

Return results for the year ended Sept. 30 put Manufacturer's Life Insurance Co., Toronto, in the lead, a position it also held for the three-, five- and 10-year periods ending last quarter. The one-year return for the firm's $6 million equity fund was 102.7%, far above the S&P 500's 44.5%. For the latest quarter, the firm lost its accustomed first-place position with a return of -8.1%, ranking it 247th.

According to Donavon McKerchar, investment manager, the reason behind the drop in quarter results was that "we stayed with some selected issues longer than we should have." The company will continue to emphasize a stock-by-stock approach while keeping only a few heavily cyclical issues, he said, "Because the economy won't be as robust."

Other top performing funds for the year ending Sept. 30 were First Variable Life Insurance Co. of Little Rock, Ark., at 89.3%; Merchants National Bank of Mobile, Ala., 72.4%; United Capital Management, the investment arm of United Bank of Denver, 68.7%; and in fifth place, Citizens Trust Co., Madison, Wis. The median fund for the same period scored a 39.5% return.

For the three-year period, First Variable Life's compound annual return of 31.7% and United of Denver's 29.6% remained as top performing funds. Wisconsin's Sentry Life and Sun Bank of Florida were next with compound annual returns of 27.9%. The S&P 500 return for the period was 15.6% and the median fund for the three-year period had a return of 16.3%.

Sharing the five-year performance limelight with Manufacturers Life of Ontario, which led with a compound annual return of 35%, were Employers Insurance of Wausau and Intrawest Bank of Denver, both with 27.1%, Bessemer Trust Co. with 26.7% and United of Denver with 24.4%. All outperformed the S&P 500 return of 16.2%. The median return for the period was 16.1%.

For the 10-year period ending Sept. 30, top performers behind Manufacturers Life, which was up 23.5%, were Philadelphia Life Insurance Co., 18.3%; Guardian Life Insurance Co. of America, 18.2%; Citizens Bank & Trust Co. of Chillicothe, Mo., 17.8%; and First Wisconsin National Bank of Madison, 17.4%. The median 10-year return was 8.7%, and the S&P 500 had a return of 9.6%.

Although none of the nation's largest commingled equity funds appeared among the top performers, Irving Trust Co. with its bottom-up approach to stock selection, showed returns of 2.3% for the quarter.

This return placed Irving Trust 25th and in the top quartile for the first time in a long while. Fred Obser, vice president and manager of portfolio management, said the bank's approach to individual stock selection, which seeks companies experiencing accelerated earnings and above average growth, was responsible for the fund's performance.

Among the strongest performing issues in the fund for the quarter, he listed **Gulf Oil Corp., Lockheed Corp., General Motors Corp., and Philip Morris Inc.** For the year ending Sept. 30, Irving Trust was in the top quartile as well, with a return of 50.1%. Some of the issues that contributed to that performance, were **Alcan Aluminum Ltd., American Cyanamid Co. and Libbey-Owens-Ford Co.,** Mr. Obser said.

As for the titans of the group — those with commingled equity funds of $100 million or more — the lineup for the year ending Sept. 30 was Provident National in first place with 58.8%; Fidelity Management, 58.6%; Mutual Benefit Life Insurance Co., 58%; Bankers Life, 56.6%; and in fifth place, Aetna Life & Casualty, with 52.8%.

According to Ralph Tate, vice president of portfolio management for Aetna, the issues that fueled the $250 million equity fund's successful performance during the quarter were in the commodities and transportation groups.

Although, he said, there was a very limited exposure to airline issues, one stock that performed essentially non-stop for the period was **Burlington Northern Inc.** ■

Fixed-income returns . . .

Continued from page 79

backed securities," which did "exceedingly well," said Willard Phillips, senior vice president.

"The paper we held did better than the mortgage market per se." Harris' mortgage-backed securities included those for construction projects on individual buildings and mortgage participation certificates on old, shorter-term mortgages that savings and loan associations liquidated last year, said Mr. Phillips.

"They were mispriced by the market."

A shortening of securities was the key to success in the third quarter, however. As evidence of this, Comerica's intermediate-term bond fund ranked first. One Comerica official explained, "Cash was king in the third quarter." The average maturity of bonds in the bank's $125 million bond fund was 2.9 years.

Although mortgage-backed securities bolstered Harris' return, the decision to shorten maturity was behind its good showing, explained Mr. Phillips.

In late July and August, the average maturity of bonds in Harris' $780 million fund was extended to 18 years from about 17 years, he said.

In September, Harris Bank shifted back slightly to about 17 years.

Irving Trust shortened its bond portfolio early this year, because it believed the Federal Reserve Bank would tighten the money supply because of the strengthening economy.

"It didn't help us very much in the second quarter, but in the third quarter it did," said Gary Yaylen, senior vice president and chief investment officer.

Although Irving Trust slightly increased its bond maturity in mid-August, the fund was shortest in July, which had "the brunt of the fall-off in bonds," Mr. Yaylen said. ■

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